STRATEGY FORMULATION BASED ON THE EFFECTS OF RESTRUCTURING ON PERFORMANCE AND PRODUCTIVITY

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ABSTRACTS

The positive impact of restructuring on performance and productivity are not solely be increased simultaneously if it is not accompanied by the company's desire to always be the leader of the competition in the global market era. This study, aims to determine the influence of restructuring on employee's performance and productivity from macro views in terms of competitive advantage by using the innovation variable as one of the cornerstones of competitive advantage, and also to formulate strategy based on the relationship between variables that aims to provide insight and input recommendation on appropriate strategies to be applied so that the company could simultaneously developed and aware of market change as well as being the competition leader. .

***Keywords**: Innovation, Performance, Productivity, Restructuring.*

INTRODUCTION

Organizational restructuring is one of the reform efforts and improvements that can be made by the company so that the company can improve the effectivity of performance and productivity to be more competitive amidst the global market competition. Therefore, we conducted this research on the effects of restructuring on employee performance and productivity in terms of competitive advantage. This research focuses on the development model of the relationship between restructuring, employee performance, and productivity in terms of competitive advantage represented by innovation variable, where innovation is one of the most important pillars for organization or company's development to maintaining its competitive advantage. Conducted in one of the most well known telecommunication company in Indonesia, PT X. Data collection was done by distributing 137 questionnaires with 123 questionnaires worth to be processed. Questionnaire data processed by using Likert's scale (1-5) as weighted ratings. Development models do then issued and processed using equations structural model in Structural Equation Modelling (SEM), which can be used to investigate the relationship and influence between variables (multiple relationship) and be able to fairly accurate analyze the data from the questionnaire that involves perceptions. The strategies formulation then made based on the restructuring construct's loading factor as the results of SEM's development model analysis that fits the problems that occur.

METHODOLOGY

Structural Equation Modelling (SEM)

Structural Equation Modeling (SEM) is a multivariate analysis which are used to perform a series of tests simultaneously. First, analyze the relationship between variables in a

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complex way, which are the latent variables and the dependent or independent construct. Secondly, test the measurement model (measurement model), relations (loading value) between the indicator variables (observations) with latent variables. This relationship is expressed with a loading factor that showed a great correlation between the indicators with latent variables. The purpose of the measurement model (measurement model) is to describe how well these indicators can be used as a measurement instrument of latent variables. Structural Equation Modeling (SEM) is a statistical analysis technique that combines confirmatory factor analysis with path analysis making it possible to simultaneously test and estimate the relationship between multiple exogenous and endogenous variables with many indicators. Data analysis by using SEM serves to elucidate a thorough relationship between variables that exist. SEM are used to examine and justify a model (Hair et.al, 2006).

According to Hair et al (1995), there are seven (7) steps to be taken when using Structural Equation Modeling (SEM), namely:

1. Development of theoretical model, conducted a series of scientific exploration through literature review in order to identify the models and to obtain justification for the development of theoretical models.
2. The theoretical models that have been built in the first phase will be described in a flow chart, which will make it easier to see the causality to be tested.
3. Convert the model specification into a series of structural models and measurement.
4. Estimate the problem by using the input data from variance / covariance matrix or correlation matrix.
5. Problem identification, the inability of models developed to produce a unique estimation. When problems arise whenever the estimated identification is done, then the model should be reconsidered by developing more constructs.
6. According to Ferdinand (2002), in this step the suitability of the model is evaluated through a review of the various criteria of goodness-of-fit.
7. Lastly, interpret and modify the model for the models that do not qualify testing.

MODEL DEVELOPMENT

Below in Figure 1 is a research design used in this study. Where this research is the development model of the previous studies that have examined about the effect of the restructuring on performance using SEM.

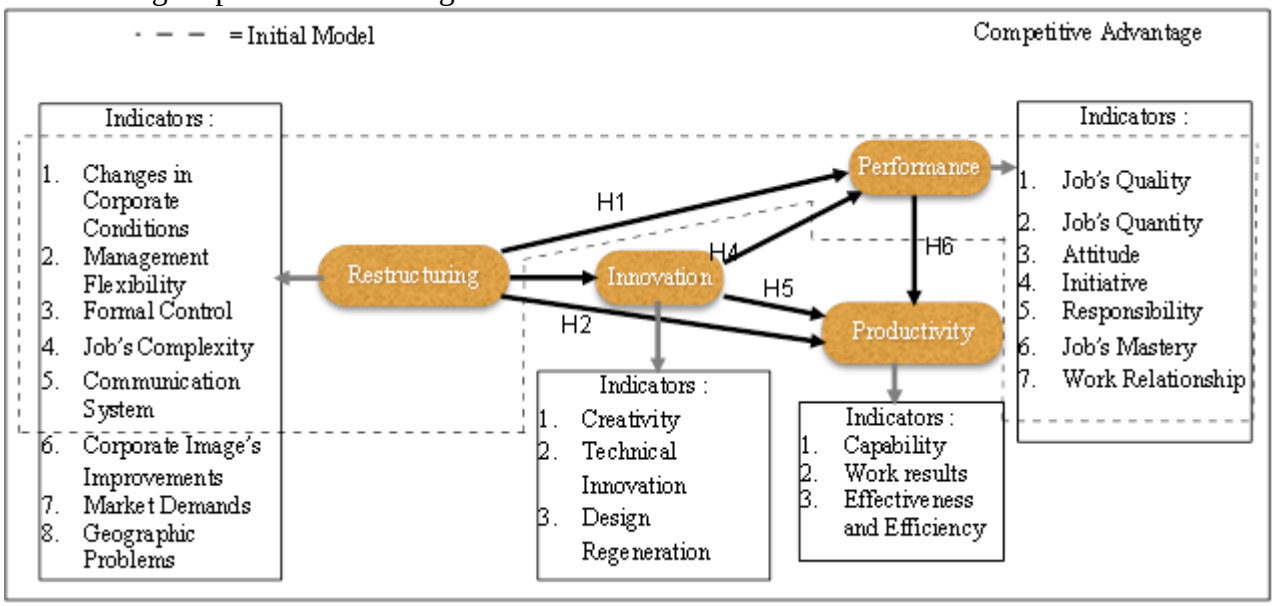

Figure 1. Model Developments

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The hypothesis used in this study are as follows:
H1 = Restructuring has a direct influence on performance
H2 = Restructuring has a direct influence on productivity
H3 = Restructuring has a direct influence on innovation
H4 = Restructuring has an influence on performance with innovations
H5 = Restructuring has an influence on the productivity with innovations
H6 = Performance has a direct influence on productivity

RESULTS AND DISCUSSION

1. **Demographic descriptions :**

In the demographic descriptions, the research sample, the respondent's characterictics, and the results of questionnaires recapitulation that have been distributed will be described. Analysis Characteristics of Respondents:

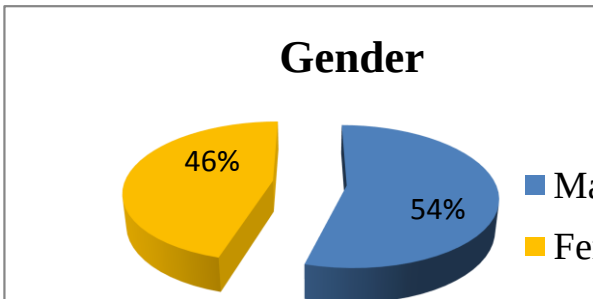

Figure 2. Characteristics of Respondents (Gender)

Figure 2. shows that the overall number of respondents who successfully obtained, ie 123 respondents, divided by 54% male and 64% female respondents.

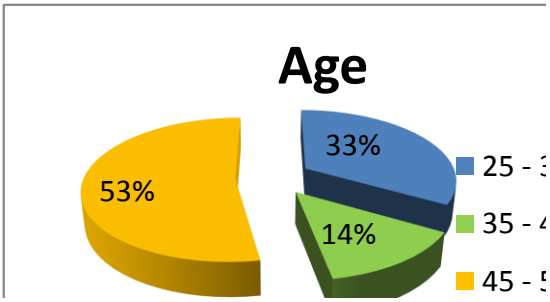

Figure 3. Characteristics of Respondents (Age)

Figure 3, shows that there are 33% of respondents between the ages of 25-35 years old, 14% of respondents between the ages of 35-45 years old, and 53% respondents between the ages of 45-55 years old.

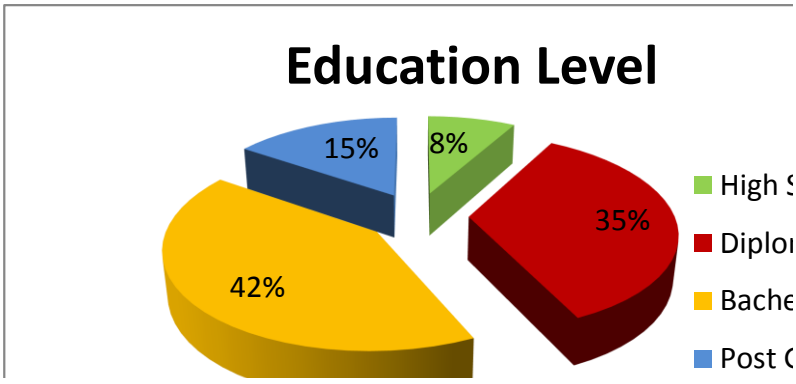

Figure 4. Characteristics of Respondents (Education Level)

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Can be seen from Figure 4., respondents with high school education level as much as 8%; D3 as much as 35%; the highest percentage is in S1 education level that is 42%; and education level S2 has a percentage of 15% of the total education level of respondents.

2. Validity

Ghozali (2009) states that the validity test used to measure the legality and validity of a questionnaire . The result of the validity test performed, there are some items of questions that should be eliminated :

1. FM1
2. FM2
3. FM3
4. TJ2
5. PEE3

3. Reliability

According Ghozali (2009), reliability is a tool to measure a questionnaire which is an indicator of a construct. Reliability tests performed by using SPSS software, where the results of a reliability test were then compared to the Cronbach's Alpha value.

Table 1. Alpha Cronbach Reliability Level

Alpha Cronbach	Reliability level
0.0 - 0.20	Less Reliable
>0.20 – 0.40	Rather Reliable
>0.40 – 0.60	Quite Reliable
>0.60 – 0.80	Reliable
>0.80 – 1.00	Very Reliable

Table 2. Results of Alpha Cronbach Reliability Level from Questionnaire

Reliability Statistics	*Alpha Cronbach*	Keterangan
Restructuring	0.913	Very Reliable
Performance	0.967	Very Reliable
Productivity	0.857	Very Reliable
Innovation	0.841	Very Reliable

From Table 2., indicates that all the indicators on the latent variables are very reliable to be used as a measuring tool, refers to the value of Alpha Cronbach. It can be concluded that based on the validity and reliability testing that has been done, the indicators are used as measuring tools for each latent variable has qualified validity and reliability, and questionnaires that have been made can be directly analyzed.

3. Normality

On multivariate analysis, the data used must be derived from the multivariate normal distributed population. As can be seen in Figure 5. The results of the Kolmogorov-Smirnov normality test assumption of multivariate data obtained through the questionnaire has a t-value of 0.512195> 0.50, it can be concluded that the data has a normal distribution, according to the description of Minitab's graphic images stating that data distribution multinormal.

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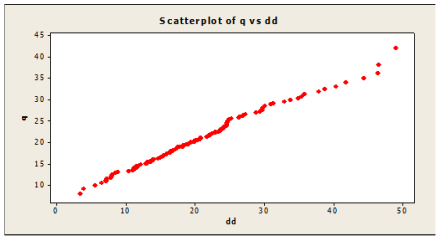

Figure 5. Multivariate Normality Test Plot

4. Correlation Test Between Variables

In addition to the assumption of data must be distributed Multivariate Normal, further assumptions must be fulfilled is a correlation between variables in the formation of factors, therefore conducted a factor analysis to examine the correlations between variables and the KMO test and Bartlett's test.

Table 3. Results of KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.884
Bartlett's Test of Sphericity	Approx. Chi-Square	8267.724
	df	1891
	Sig.	.000

From the test, results obtained KMO value of 0.884 and significance on Bartlett's test is 0,000. With these results it can be said that the value of KMO gained more than 0.6 (Hair, 2006), the results of these tests indicate that there is sufficient sample. The adequacy of the number of samples associated with significant value obtained, where the sample size is linear to the level of significance. Furthermore, to see the relationship between variables to test Bartlett's, where the value obtained test Bartlett's significant at $\alpha = 0.05$ (p-value $<\alpha$). It can be concluded that the correlation coefficient observed with correlation coefficients of the variables have been appropriate or there is a relationship between variables.

5. *Confirmatory Factor Analysis* (CFA) for Each Construct

According to Joreskog and Sorbom (1993) CFA is used to test the unidimensional, validity and reliability of the measurement model constructs that can not be measured directly. In this test, a construct is said to be valid if it has a loading factor values ≥ 0.60. While reliability is expressed by the value construct construct reliability (CR) ≥ 0.70. it is shown in Table 4.,that the whole construct validity and reliability meet the requirements.

Table 4. Confirmatory Factor Analysis (CFA)

Indicators	Mean		Std. Dev.		Loading Factor		CR
RSK	(2)	4.1870	(3)	1.05335	(2)	0.88	0.879
RPKK	(2)	3.7805	(4)	0.8324	(3)	0.91	0.914
RPIK	(1)	3.7317	(2)	1.04216	(3)	0.87	0.882
RKF	(3)	3.9187	(4)	0.92617	(2)	0.88	0.899
RMG	(1,2)	3.7236	(1)	0.88058	(1)	0.85	0.868
RKP	(2)	3.6829	(1)	0.92983	(2)	0.82	0.713
RTP	(1)	3.8049	(2)	0.85008	(2)	0.86	0.887
KS	(1)	4.1382	(2)	0.85243	(1)	0.88	0.924
KUALP	(2)	3.8455	(4)	0.89477	(4)	0.86	0.928

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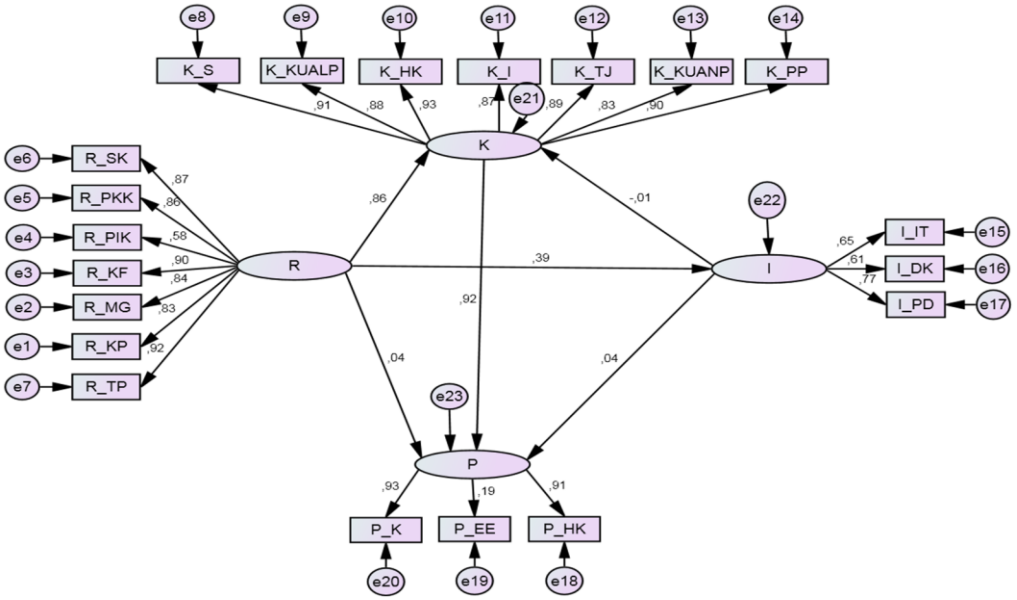
Indicators	Mean		Std. Dev.		Loading Factor		CR
KHK	(1)	4.1870	(2)	0.90543	(3)	0.91	0.947
KI	(2)	3.9593	(2)	0.81380	(2)	0.86	0.934
KTJ	(1)	4.1382	(1)	0.86200	(1)	0.90	0.934
KUANP	(1)	3.9106	(1)	0.85898	(3)	0.81	0.86
KPP	(2)	3.9756	(3)	0.90167	(1,2)	0.92	0.929
PK	(3)	4.2033	(3)	0.99143	(1,2)	0.82	0.89
PEE	(2)	4.1301	(1)	0.51150	(2)	0.66	0.795
PHK	(2,3)	4.0244	(1)	0.93434	(2,3)	0.90	0.909
IIT	(2)	4.1138	(3)	0.73388	(2,3)	0.85	0.911
IDK	(1)	4.1626	(3)	0.69537	(2)	0.86	0.854
IPD	(1,2)	4.1138	(3)	0.73388	(3)	0.88	0.777

5. Structural Equation Modelling (SEM) Full Model



Chi-square	Df	CMIN/DF	NFI	RFI	TLI	CFI
449,863	164	2,743	0,835	0,809	0,870	0,888

Table 5. Results of Hypothesis

Hypothesis	Pernyataan	Estimates (λ)	P value	Decision
H1	Restructuring has a direct influence on performance	0,86	P < 0.01	Significant
H2	Restructuring has a direct influence on productivity	0.04	P > 0.45	Not Significant
H3	Restructuring has a direct influence on innovation	0,39	P < 0.01	Significant
H4	Restructuring has an influence on performance with innovations	-0,01	P > 0.45	Not Significant

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H5	Restructuring has an influence on the productivity with innovations	0,04	P > 0.45	Not Significant
H6	Performance has a direct influence on productivity	0,92	P < 0.01	Significant

CONCLUSIONS AND RECOMMENDATIONS

Organization restructuring in the context of competitive advantage has a positive influence on employee performance with a value (0.86), also has a positive effect on the productivity (0.04), as well as the positive effect on innovation by value (0.39).

The most dominant indicators of restructuring variable in relation to the performance and productivity on the object of this study is the indicator of market demands with value (0.92), formal control (0.90), a communication system (0.87), as well as changes in the condition of the corporation with the value (0.86). Indicates that the increase in performance and productivity based on the policy and strategic decisions taken by the organizational restructuring with the intention that the needs and desires of the market can be captured and fulfilled. Changes in management also affect the operational effectiveness of the company, which have an impact on the freedom to innovate. In addition, increasing in the work standard and formal controls performed by management, as well as the use of up to date technology as communication systems and devices support the ease of work implementation and better communication between employees.

Based on the result, the corporate image improvement indicators are indicators that has the least influence among the seven existing organizational restructuring indicators. Therefore, evaluation is necessary to improve the corporate image. The right strategy to be recommended as an effort to improve the corporate image is by improving the management and responsibility of the relationship between the company and its customers with relationship marketing approach undertaken proactively through the use of technology and information technology capabilities to maximize customer value. Thus, through the simultaneously relationship of management and responsibility, a good corporate image for its customers will be created. Where, a great impact on all products and services produced by the company will be provided by the creation of a good corporate image. So the company can remain as the leader of the competition. Good corporate image will also make the employees proud of the company that would later give rise to a strong bond between the employees of the company they work for. It is, more will affect the improvement of performance and productivity of employees

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